Pioneer AMT-Free Municipal Fund

Performance Analysis & Commentary | September 2017

Fund Ticker Symbols: **PBMFX** (Class A); **PBYMX** (Class Y)

amundipioneer.com

Third Quarter Review

- The Fund's Class A shares returned 0.88% at net asset value in the third quarter, and Class Y shares returned 0.94%, while the Fund's benchmark, the Bloomberg Barclays Municipal Bond Index (the Bloomberg Barclays Index), returned 1.06%.
- The key factor in the Fund's negative benchmark-relative return this quarter was security selection. The Fund's exposure to Puerto Rico's general obligation debt as well as some softness in select tobacco bond holdings were the main detractors.
- We believe the municipal bond market may be subjected to many fundamental events in the near term, as the markets need to digest the full impact of the recent hurricane activity in the US and Caribbean. However, outside of Puerto Rico, individual municipalities have fared well.

Investment-grade municipal bonds, as measured by the Bloomberg Barclays Index, returned 1.06% in the third quarter. The long end of the municipal bond curve outperformed the short end of the curve over the three-month period. Despite the market's positive performance this quarter, municipal bonds returned –0.51% in September, as the asset class felt the effects of the uncertainty surrounding the total damages caused by the three hurricanes that made landfall in the span of one month and inflicted heavy damage on Texas and Florida, while devastating Puerto Rico. During that period, we witnessed a slowdown in demand from non-traditional municipal bond buyers. Municipals had begun the process of recovery heading into month end, until Republican lawmakers in Washington announced their preliminary plans for tax reform, which acted as a drag on returns over the last three days of September.

Outside the municipal market, government bond yields ended the third quarter modestly higher than they were on June 30. Meanwhile, continued strong employment numbers and higher consumer confidence, together with easy financial conditions, solid global economic growth, and a depreciating US dollar (USD) contributed to better-than-expected gross domestic product (GDP) growth of 3.1% in the second quarter. Despite higher oil and commodities prices, inflation continued to moderate, both in the US and globally, enabling major non-US central banks to maintain their easy monetary policies. As expected, the Federal Open Market Committee (FOMC) announced that it would commence tapering its balance sheet this October. The markets were surprised, however, that the FOMC held firm on its plan for a gradual increase in the Federal funds rate, in spite of the "mystery", in Federal Reserve (the Fed) Chair Yellen's words, of below-target inflation levels.

The 10-year US Treasury yield rose from 2.30% to 2.33% over the quarter. Prices of 10-year Treasury bonds rallied into early September, on lower inflation and increased geopolitical risk. After bottoming at 2.06%, yields rose dramatically over the rest of September in response to the FOMC's commitment to raise rates, higher inflation expectations driven by strong GDP growth, recovering oil prices, the potential for tax reform legislation in Washington, and expectations of tighter global monetary policies.

Municipal bond supply came in at $84.9 billion during the third quarter, down by nearly 20% from the second quarter's $104.5 billion. Issuance is down by 35% year-over-year, while refundings, at 57%, continue to account for more than half of the total municipal supply. This has had the continued effect of issuers calling away the higher coupons in the existing municipal bond supply and replacing them with lower-coupon bonds. Municipal fund flows, although down from the same period in 2016, have remained positive.

Sector Allocation and Security Selection

The key factor in the Fund's negative benchmark-relative return this quarter was security selection. The Fund continued to maintain a small exposure to Puerto Rico's debt; specifically, general obligation (GO) debt maturing in 2035. The devastation in the Commonwealth following Hurricane Maria, combined with President Trump's quick, off-the-cuff comments suggesting an elimination of Puerto Rican municipal debt, sent the bonds' prices plummeting. However, the Office of Management and Budget quickly reversed the president's comments. That said, given the long process of restoring infrastructure and rebuilding the Island, we would expect to continue to see short-term fluctuations in the prices of the bonds. The portfolio continues to have exposure to the GO bonds, and we are not under pressure to sell them based on immediate news stories. The bonds originally defaulted in July of 2016, as expected, and therefore we do not expect to see an impact to the distribution of the Fund. The benchmark 8.00% coupon Puerto Rico bonds are currently subject to bankruptcy proceedings in a US Federal court, and so we continue to believe the bonds remain at the top of the Commonwealth's capital structure.

The balance of the Fund's benchmark-relative underperformance in the third quarter was due to some softness in select tobacco bond holdings. This was not unexpected, as a short-term exodus from municipal bond exchange-traded funds (ETFs) during the quarter tended to be concentrated in the tobacco sector, given the ample liquidity of those bonds. Due to their higher coupons and stable cash flows, we continue to utilize tobacco bonds as a means for the Fund to participate in the high-yield municipal market.

During the quarter, we continued to favor owning revenue bonds in the Fund's portfolio. Revenue bonds are, by definition, secured by income-producing facilities of the borrower. GO bonds, or bonds secured by municipal tax revenue, comprised 25% of the Fund's total investment portfolio as of quarter-end. However, we believe investment opportunities may exist from time to time in the GO bonds of municipalities with balanced budgets, and without significantly unfunded pension obligations.

Current Outlook and Positioning

While the markets have now priced in higher expectations for a December 2017 interest-rate increase by the Fed, it has also priced in a 1.66% Federal funds rate by the end of 2018, which is well below the median level of the FOMC's projection of 2.13%. We believe the market continues to be "behind the curve" in its views on the appropriate level of interest rates. Despite the Fed's concern about relatively low inflation, we believe it will proceed with its planned rate increases.

Expectations are for defaults in the municipal market to remain low overall. The current 25-year default average for investment-grade municipal bonds is very low, at just 0.6%, second only to US Treasuries. Many expect this number to decrease if the US economy and state balance sheets continue to improve.

We believe the municipal bond market may be subjected to many fundamental events in the near term, as the markets need to digest the full impact of the recent hurricane activity in the US and Caribbean. However, outside of Puerto Rico, individual municipalities have fared well. The costs property-and-casualty insurers must bear due to the hurricane damage may ultimately affect their appetites for municipal bonds, as the insurers will need to weigh their current liabilities and cash needs.

Upcoming FOMC decisions, including new selections for key FOMC members, will likely affect the market's expectations on interest rates. Furthermore, political stalemates in Washington over health care and tax reform may add to market uncertainty. In addition, tax reform proposals, such as the reduction in corporate tax rates and the elimination of the State and Local Tax (SALT) exemptions, may temper demand for municipal bonds. Geopolitical risk, most notably the heightened tensions with North Korea, has also increased in recent months.

Strong demand for municipal bonds continues, aided by retail fund flows and institutional demand from banks and insurance companies. The high level of tax-equivalent yields available on municipal bonds relative to other fixed-income assets, such as Treasuries and corporate bonds, also remain catalysts for demand. With continuing low global yields, non-traditional investors have remained in the municipal space as they seek to find opportunities based on the attractive yields and the relative safety provided by the historically low default rate of the asset class. With 10- and 30-year municipal-to-Treasury ratios above 85% and 95%, respectively, as of September 30, 2017, we think the municipal space will continue to entice these non-traditional investors, even if they do not stand to benefit from the tax-exempt nature of the bonds. The elevated ratios and historically low default rates are attractive when global interest rates are generally low. Given the high credit quality of municipals, and the low default rates, any market weakness resulting from external events will help to push those ratios even higher. That, in turn, should increase demand and support for the municipal asset class, thus providing opportunities for tax-exempt investors.

In that environment, we believe investment-grade municipals with strong fundamentals should continue to be preferred.

As of September 30, 2017, the largest sector weights in the portfolio were in education (23%), local GO bonds (15%), health care (13%), and industrial development revenue/pollution control revenue (11%).

Massachusetts, Texas, California, Virginia, and Washington represented the Fund's largest state exposures as of quarter-end.

Approximately 78% of the Fund's investments were allocated to bonds rated "A" or higher by Moody's as of quarter-end.

The Fund normally will not invest in securities that pay interest that could be susceptible to the Federal Alternative Minimum Tax (AMT), and did not own any bonds that may be subject to the AMT as of September 30, 2017.

Performance Review

Pioneer AMT-Free Municipal Fund's Class A shares returned 0.88% at net asset value in the third quarter, and Class Y shares returned 0.94%, while the Fund's benchmark, the Bloomberg Barclays Municipal Bond Index, returned 1.06%.

Average Annual Total Return (Class A shares)

September 30, 2017	(at NAV)	(at POP)	Bloomberg Barclays Municipal Bond Index
1 year	–0.19%	–4.70%	0.87%
3 years	3.68%	2.09%	3.19%
5 years	3.73%	2.77%	3.01%
10 years	4.87%	4.39%	4.52%

Average Annual Total Return (Class Y shares)

September 30, 2017	(at NAV)	Bloomberg Barclays Municipal Bond Index
1 year	0.13%	0.87%
3 years	3.98%	3.19%
5 years	4.00%	3.01%
10 years	5.13%	4.52%

Expense Ratios (As of prospectus dated May 1, 2017)

Class A shares: Gross, 0.81%

Class Y shares: Gross, 0.64%

Call 1-800-225-6292 or visit amundipioneer.com for the most recent month-end performance results. Current performance may be lower or higher than the performance data quoted.

The performance data quoted represents past performance, which is no guarantee of future results. Investment return and principal value will fluctuate, and shares, when redeemed, may be worth more or less than their original cost.

NAV results represent the percent change in net asset value per share. Returns would have been lower had sales charges been reflected. POP returns reflect deduction of the maximum 4.50% sales charge at the beginning of the period. All results are historical and assume the reinvestment of dividends and capital gains. Other share classes are available for which performance and expenses will differ.

Performance results reflect any applicable expense waivers in effect during the periods shown. Without such waivers Fund performance would be lower. Waivers may not be in effect for all funds. Certain fee waivers are contractual through a specified period. Otherwise, fee waivers can be rescinded at any time. See the prospectus for more information.

A Word about Risk:

When interest rates rise, the prices of fixed-income securities in the Fund will generally fall. Conversely, when interest rates fall, the prices of fixed-income securities in the Fund will generally rise.

Investments in the Fund are subject to possible loss due to the financial failure of issuers of underlying securities and their inability to meet their debt obligations.

At times, the Fund's investments may represent industries or industry sectors that are interrelated or have common risks, making it more susceptible to any economic, political, or regulatory developments or other risks affecting those industries and sectors.

The value of municipal securities can be adversely affected by changes in the financial condition of municipal issuers, lower revenues, and regulatory and political developments.

A portion of income may be subject to local, state, federal, and/or alternative minimum tax. Capital gains, if any, are subject to a capital gains tax.

These risks may increase share price volatility.

The Bloomberg Barclays Municipal Bond Index is an unmanaged, broad measure of the municipal bond market. Index returns are calculated monthly, assume reinvestment of dividends and, unlike Fund returns, do not reflect any fees,expenses or sales charges. It is not possible to invest directly in an index.

The views expressed in this commentary are those of the portfolio manager, and are subject to change at any time. These views do not necessarily reflect the views of Amundi Pioneer or others in the Amundi Pioneer organization, and should not be relied upon as investment advice, as securities recommendations, or as an indication of trading intent on behalf of any Amundi Pioneer investment product.

Securities Discussed

	% of Portfolio as of September 30, 2017
Commonwealth of Puerto Rico, 8.00%, 7/1/35	0.26%

Top 10 Holdings

		% of Portfolio as of September 30, 2017
1.	Massachusetts Health & Educational Facilities Auth., 5.50%, 7/1/32	1.77%
2.	Tobacco Settlement Financing Corp. (Virginia), 5.00%, 6/1/47	1.47%
3.	Golden State (CA) Tobacco Securitization Corp., 5.125%, 6/1/47	1.16%
4.	Dallas (TX) Area Rapid Transit, 5.00%, 12/1/33	1.09%
5.	University of Virginia, 4.00%, 4/1/45	0.99%
6.	Los Angeles County (CA) Metropolitan Transportation Auth., 5.00%, 7/1/30	0.95%
7.	State of Washington, 5.00%, 7/1/30	0.95%
8.	Texas Private Activity Bond Surface Transportation Corp., 7.00%, 6/30/40	0.91%
9.	Forsyth County (GA) Water & Sewerage Auth., 5.00%, 4/1/41	0.90%
10.	Massachusetts Development Finance Agency, 5.00%, 7/1/31	0.89%

The portfolio is actively managed, and current holdings may be different. The holdings listed should not be considered recommendations to buy or sell any security listed.

Before investing, consider the Fund's investment objectives, risks, charges and expenses. Contact your advisor or Amundi Pioneer Asset Management for a prospectus or summary prospectus containing this information. Read it carefully.

Neither Amundi Pioneer, nor its representatives are legal or tax advisors. In addition, Amundi Pioneer does not provide advice or recommendations. The investments you choose should correspond to your needs, goals, and risk tolerance. For assistance in determining your financial situation, please consult an investment professional.

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